

1 TEXT OF PROPOSED FINAL CHANGES
2 TO THE REGULATIONS OF THE
3 COMMISSIONER OF CORPORATIONS
4 UNDER THE CORPORATE SECURITIES LAW OF 1968
5 DATED: March 28, 2000

6 1. Amend Section 260.236 to read:

7 260.236. Qualifications of Investment Advisers, Investment Adviser Representatives and
8 Associated Persons.

9 (a) Qualification Requirements. An investment adviser and each investment adviser
10 representative or associated person thereof (as defined in Section 25009.5 of the Code) shall
11 pass, within two years prior to the date of filing the application for an investment adviser
12 certificate or becoming engaged as an investment adviser representative or ~~association~~ associated
13 person:

14 (1) ~~have successfully passed~~ the Series 65/Uniform Investment Adviser Law Examination
15 in effect on January 1, 2000, (“2000 Series 65 Examination”), or

16 (2) the Series 7/General Securities Representative Examination (“Series 7
17 Examination) and the Series 66/Uniform Combined State Law Examination (“2000 Series 66
18 Examination”), ~~both of which are administered by the National Association of Securities~~
19 ~~Dealers Regulation, Inc., within two years prior to the date of filing the application for an~~
20 ~~investment adviser’s certificate or becoming engaged as an investment adviser representative or~~
21 ~~associated person, AND either:~~

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23 NOTE: Additions to the original text (dated December 17, 1999) are shown by double underscoring. Deletions from
24 the text are shown in double strike-out.

1 ~~(A) have successfully passed the Series 7/General Securities Representative Examination,~~
2 ~~which is administered by the National Association of Securities Dealers Regulation, Inc., within~~
3 ~~two years prior to the date of filing the application for an investment adviser's certificate or~~
4 ~~becoming engaged as an investment adviser representative or associated person, or~~

5 ~~(B) hold, in good standing, one of the following designations:~~

6 ~~Chartered Financial Analyst ("CFA");~~

7 ~~Chartered Financial Consultant ("ChFC");~~

8 ~~Certified Financial Planner ("CFP");~~

9 ~~Chartered Investment Counselor ("CIC"); or~~

10 ~~Personal Financial Specialist ("PFS"); or~~

11 ~~(2) have been actively and continuously engaged in the securities business as a broker-~~
12 ~~dealer, an agent of a broker-dealer, an investment adviser, or an investment adviser~~
13 ~~representative or associated person, or has been employed in a similar capacity in the banking or~~
14 ~~insurance industries, without substantial interruption since passing the qualifying examination(s).~~

15 ~~(b) The SECO/NASD Nonmember General Securities Examination will be accepted to~~
16 ~~satisfy the examination requirements under subsection (a)(1)(A) for: (1) investment advisers~~
17 ~~issued a certificate, or applicants that file an application for a certificate, before January 1, 1998;~~
18 ~~or (2) investment adviser representatives or associated persons becoming engaged with an~~
19 ~~investment adviser before January 1, 1998. The Series 65 Examination and Series 66~~
20 ~~Examination requirements under subsection (a)(1) shall not apply to: (1) an investment adviser~~
21 ~~issued a certificate, or applicants that file an application for a certificate, before January 1, 1998;~~
22 ~~or (2) investment adviser representatives or associated persons becoming engaged with an~~
23 ~~investment adviser before January 1, 1998.~~

1 (b) Waivers: The requirements of subsection (a) do not apply to:

2 (1) Any investment adviser or individual employed or engaged as an investment
3 adviser representative or associated person registered, reported or licensed in any state of the
4 United States as of December 31, 1999. However, the Commissioner may require additional
5 examinations for any individual found to have violated the Corporate Securities Law of 1968 or
6 the rules promulgated thereunder.

7 (2) Any investment adviser or investment adviser representative or associated person
8 who has been actively and continuously engaged in the securities business as a broker-dealer, an
9 agent of a broker-dealer, an investment adviser, or an investment adviser representative or
10 associated person, or has been employed in a similar capacity in the banking or insurance
11 industries without substantial interruption (two or more years) since passing the qualifying
12 examination(s) and who has:

13 (A) passed the Series 2 Examination (SECO/NASD Nonmember General Securities
14 Examination) before January 1, 1998, or

15 (B) passed the Series 65 Examination or Series 66 Examination before January 1, 2000
16 and has either:

17 (i) passed the Series 7 Examination, or

18 (ii) holds in good standing one of the following designations:

19 1) Chartered Financial Analyst (“CFA”) granted by the Association
20 for Investment Management and Research;

21 2) Chartered Financial Consultant (“ChFC”) awarded by The
22 American College, Bryn Mawr, Pennsylvania;

1 3) Certified Financial Planner (“CFP”) issued by the Certified
2 Financial Planner Board of Standards, Inc.;

3 4) Chartered Investment Counselor (“CIC”) granted by the
4 Investment Counsel Association of America; or

5 5) Personal Financial Specialist (“PFS”) administered by the
6 American Institute of Certified Public Accountants.

7 (c) Exemptions. Subsection (a) shall not apply to:

8 (1) any individual who has been registered as an investment adviser or employed or
9 engaged as an investment adviser representative or association associated person in any state for
10 two consecutive years immediately before the date of filing an application notification or notice
11 pursuant to Corporations Code Section ~~25230.1(b)~~ 25230(b) or 25230.1(c) in this state. This
12 provision shall not apply to an individual using the exemption in subsection (c)(3). investment
13 adviser applicant or investment adviser representative or associated person who has been actively
14 engaged as a portfolio manager or securities analyst for three or more years of the five year
15 period immediately preceding the date of filing an application or becoming engaged as an
16 investment adviser representative or associated person; or

17 (2) any individual who, on January 1, 2000, has actively and continuously been engaged
18 in the securities business as a broker-dealer, an agent of a broker-dealer, an investment adviser,
19 or an investment adviser representative or association associated person, or has been employed in
20 a similar capacity in the banking or insurance industries, without substantial interruption (two or
21 more years) since passing the qualifying examination(s).
22

1 (3) any investment adviser representative or associated person employed by or
2 engaged by an ~~the~~ investment adviser only to offer or negotiate for the sale of investment
3 advisory services of the investment adviser.

4 (4) any individual who currently holds one of the following professional designations:
5 CFA, ChFC, CFP, CIC, or PFS.

6 ~~(d) Definitions:~~

7 ~~(1) “Securities analyst,” as used in this section, means an individual employed by a~~
8 ~~broker-dealer, bank, trust company, insurance company, investment company, investment~~
9 ~~adviser, or other institution or instrumentality set forth in Section 260.200 of these rules, who~~
10 ~~performs investment research and examines the financial condition of a company(ies) or groups~~
11 ~~of companies in an industry(ies) and in the context of the securities markets.~~

12 ~~(2) “Portfolio manager,” as used in this section, means an individual in the business of~~
13 ~~managing securities portfolios of other individuals, institutional investors, such as investment~~
14 ~~companies (registered under the Investment Company Act of 1940), or pension or profit-sharing~~
15 ~~trusts (other than self-employed individual retirement plans), or an individual employed by a~~
16 ~~bank, trust company, insurance company, or other institution or instrumentality set forth in~~
17 ~~Section 260.200 of these rules, that manages securities portfolios.~~

18 ~~(d) An individual who has not been registered in any state for a period of two years shall~~
19 ~~be required to comply with the examination requirements of this rule. This provision shall not~~
20 ~~apply to an individual using the exemption in subsection (c)(2), (c)(3), ~~and~~ or (c)(4).~~

21 Note: Authority cited: Sections 25236(a) and 25610, Corporations Code. Reference:
22 ~~Section~~ Sections 25230, 25230.1 and 25236, Corporations Code.